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TAGS: EFIN ECON EAID PREL IV
SUBJECT: Little GOCI Progress on IMF Program Goals

CLASSIFIED BY: MTownswick, Pol/Econ Chief; REASON: 1.4(B), (D)

¶1. (C) Summary: IMF Resident Representative Philippe Egoume gave a mixed review of Cote d'Ivoire's economic performance in a meeting with Ambassador and Pol/Econ chief on January 15. While he was optimistic about the country's future economic prospects and believed President Gbagbo would hold the line on civil service salaries, he expressed concerns about a 130 billion FCFA (USD 289 million) shortfall in Cote d'Ivoire's projected customs revenue, as well as the lack of progress in reducing electricity subsidies. He stated that corruption and impunity must be addressed before they become more deeply entrenched in society. If elections are not held before the June meeting of the IMF board, Egoume anticipates difficulties in completing the Poverty Reduction and Growth Facility (PRGF) program. End Summary

¶2. (C) IMF Resident Representative Philippe Egoume was positive about the strength of Cote d'Ivoire's economy ("I'm bullish on Cote d'Ivoire") in the long run but his assessment of progress on program goals was more negative. Ambassador noted that President Gbagbo had devoted a lot of time in his New Year's address to CdI's need for HIPC debt relief, and warned public servants not to strike, as there would be no salary increases. Egoume affirmed that the President has taken a courageous stand on limiting civil service salary increases. Commenting that GOCI's wage bill already equaled 43 percent of government revenues (compared with an ECOWAS average of 34 percent), he said that if all cost of living adjustments which had been promised since 2007 were paid, the wage bill would jump to over 900 billion FCFA (USD 2 billion), from the 745 billion FCFA (USD 1.6 billion) target. Egoume predicted that Gbagbo would compromise and pay some of the promised cost of living increases, which would result in a total bill of about 844 billion FCFA (USD 1.9 billion).

GOCI NOT MEETING TARGETS

¶3. (C) Egoume said customs revenue was among the easiest targets to predict, and expressed surprise that CDI's customs receipts were almost 130 billion FCFA (USD 289 million), or approximately one percent of GDP, less than anticipated. He attributed some of the shortfall to glitches in switching to a new computerized collection system, as well as to the inexperience of the current head of Customs, Col. Alphonse Mangly, who, in contrast to his predecessor Konan Gnamien, had no relevant experience and spent several days a week campaigning for Gbagbo.. When pressed, Egoume admitted that Mangly could well be siphoning off customs monies for the Presidency. On the positive side, he noted that income tax revenues were up slightly, and that Cote d'Ivoire has reduced taxes on cocoa to 22%, although higher than average prices helped them meet this target.

¶4. (C) No progress has been made on the other major source of IMF concern, namely electricity subsidies. The GOCI had agreed to meet with all stakeholders - gas suppliers, consumers, electricity producers - in order to work out a compromise whereby each party would make some concessions, but no meetings have occurred. He agreed that Cote d'Ivoire's supplying below-cost electricity to Ghana and Burkina Faso at prices lower than what it charges domestic consumers was also a problem, but said that the GOCI, while well aware of this practice, felt obliged to continue it to preserve its image and as a matter of regional prestige.

¶5. (SBU) Cote d'Ivoire's lackluster performance thus far could impact the next tranche of IMF funding, particularly if elections are delayed again. The IMF's Executive Board must meet by June at the latest in order to finalize the next tranche of the PRGF. If there is no government in place with a longer mandate to approve the program's tenets, it will be difficult for the Board to move forward.

¶6. (SBU) Egoume mentioned that he was preparing a comparative study

of the Ivorian and Ghanian economies, and said that, while per capita income in each country was converging - with CdI's falling and Ghana's rising - they were still several hundred dollars apart (roughly USD 800 versus USD 500), Cote d'Ivoire remained an economic powerhouse with the ability to rapidly increase GDP growth once the political stalemate was resolved.

¶7. (C) Regarding the return of the AfDB headquarters to Abidjan, Egoume mentioned that the renovation of the Hotel Ivoire (in preparation for the May meeting of the African Development Bank) was reportedly behind schedule and substantially over budget. How this will affect the Bank's decision is unclear. The IMF has limited the GoCI's overall spending on public works to 40 billion FCFA (USD 89 million), and Egoume said that, although it was up to the government to decide how to allocate this sum, Gbagbo's penchant for large-scale public works created problems for the budget.

¶8. (C) Comment: Egoume made no secret of his preference for RDR presidential candidate Alassane Ouattara, noting that Ouattara's tenure as Deputy Managing Director of the IMF and his party's well-conceived economic program have made him the most credible of the three candidates - and the most desirable future president. Although he dismissed PDCI candidate Bedie as a has-been, he agreed with the Ambassador that PDCI technocrats ran the country's economy well under Houphouet Boigny and that the party retains professional capacity. While Gbagbo might wish to better manage the economy, past experience has shown that a high level of corruption among his appointees, and his emphasis on prestige infrastructure projects rather than more modest but effective stimulus programs, do not bode well for his future performance. Egoume lamented the culture of corruption which has permeated CdI society, and said that it must be changed before the younger generation internalizes it.
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